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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 495

In the Matter of:

WALTHAM WATCH CO., A Corporation; HARRY ARONSON, Individually and as an Officer of said corporation, and LAWRENCE ARONSON as an Officer of said corporation, *Petitioners,*

v.

FEDERAL TRADE COMMISSION, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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FEDERAL TRADE COMMISSION, *Respondent*.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioners, Waltham Watch Company, a corporation; Harry Aronson, individually and as an officer of that corporation; and Lawrence Aronson, as an officer of that corporation, by their attorney, B. Paul Noble, pray that a Writ of Certiorari issue to review the "Final Decree Affirming And Enforcing Order To Cease and Desist"[1] entered on the 28th day of June, 1963, by the United States Court of Appeals For The Seventh Circuit, affirming and enforcing an Order to

[1] Appendix "A". Final Decree Affirming Order To Cease and Desist.

cease and desist, entered by the Federal Trade Commission on June 15, 1962,[2] in its Docket No. 7997.

OPINION BELOW

The Opinion of the Court of Appeals[3] was entered June 5, 1963 in case number 13,858, September Term, 1962, April Session, 1963.[4] The case is not officially reported as of the date of this Petition.

JURISDICTION

The United States Court of Appeals, Seventh Circuit, on June 5, 1963, entered its Opinion on Petition to Review a cease and desist order of the Federal Trade Commission.

That Court, on June 28, 1963, entered its Final Decree Affirming and Enforcing Order to Cease and Desist.

By Order dated September 3, 1963, this Court extended the time for filing this Petition For A Writ of Certiorari until September 23, 1963.[5] By further Order[5a] this Court has further extended the time for filing until September 26, 1963.

The jurisdiction of this Court is invoked pursuant to Section 5 of the Federal Trade Commission Act; 15 U.S.C.A. 45 (c), (g) and (h) and pursuant to 28 U.S.C.A. 1254(1) and 2101(c).

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[2] Appendix "B", Decision of the Commission and Order To File Report of Compliance.

[3] Appendix "C".

[4] Seventh Circuit.

[5] Appendix "D", Order Extending Time For Filing Petition For Writ of Certiorari.

[5a] Appendix "I".

QUESTIONS PRESENTED FOR REVIEW.

1. Whether the Federal Trade Commission in a Section 5 proceedings can excise a trade name by ordering its owner to qualify its use by requiring:

"1. that the public is warned by a statement . . ." that the products bearing the trade name are not manufactured by the predecessor owner of the name, and,

2. That the country of origin of imported products bearing that trade name be marked on the product, in advertising and on containers.

2. Whether the Federal Trade Commission can, by order, restore the primarily geographic meaning to a trade name that had lost that significance and acquired a secondary meaning by 1899.

3. Whether an Order of the Federal Trade Commission based upon representations of the licensee of the trade name, "Waltham," is arbitrary and capricious insofar as it requires qualification upon use of the trade name, where the licensor expeditiously terminated the license and secured an injunction against use of the name by the licensee.

STATUTES INVOLVED

The statutes involved in the determination of the questions presented are:

The Federal Trade Commission Act:

Section 5(a), (b) 38 Stat. 719; 15 U.S.C.A. 45 (a) (b).[6] (Act of September 26, 1914, as amended).

The Lanham Trade Mark Act: 60 Stat. 433, 458, 15

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[6] Appendix "E", 15 U. S. C. A. 45(a)
Appendix "F", 15 U. S. C. A. 45(b)

U.S.C.A. 1064, 1115[7] (Act of July 5, 1946, as amended).

As provided in Rule 23(d) of this Court's Rules, the statutory provisions above noted are printed in the Appendix to this Petition.

CONCISE STATEMENT OF THE CASE

The jurisdiction of the Court below was based upon Section 5(d) of the Federal Trade Commission Act.[8]

The Respondent entered its Decision and Order To File Report of Compliance[9] in which it adopted the Initial Decision[10] of the Hearing Examiner and the order contained therein.

The Order

Thus, the Order contained in the Initial Decision became the Final Order of the Commission[11] and it was this Order that the Court affirmed in its decision.[12]

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[7] Appendix "G", 15 U. S. C. A. 1064(c)(e) Proviso.
Appendix "H", 15 U. S. C. A. 1115.

[8] 15 U. S. C. A. 45(d).

[9] Appendix "B".

[10] The Initial Decision of the examiner is voluminous, consisting of 48 printed pages. It is not appended to this Petition. However, pursuant to Paragraph 4 of Rule 21 of the Rules of this Court, Petitioners have filed nine copies of the record as printed for use of the Court below. In that printed record the Initial Decision is contained in the "Separate Supplement To Petitioners' Appendix". Reliance upon Rule 23(i) of this Court's Rules.

[11] The Commission entered no final order of its own.

[12] Appendix "C".

Insofar as Petitioners here[13] are concerned, that order provides:

> It is Further Ordered that Waltham Watch Company, a corporation, and its officers and Harry Aronson, individually and as an officer of said corporation, and Lawrence Aronson as an officer of said corporation, and said respondents' officers, representatives, agents and employees, directly or through any corporate or other device, in connection with the use of the name "Waltham", in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:
>
> I. Using or authorizing any person to use the name "Waltham" in connection with the sale of clocks or any other product unless it supervises said use and insures that the name is so utilized that:
>
> 1. The *public is clearly warned* by a statement immediately in connection therewith, *that the product is not manufactured by the Waltham Watch Company of Waltham, Massachusetts*; and,
>
> 2. If the product is of foreign origin, the country of origin of the product is clearly and conspicuously disclosed on the product, on the advertising used in offering it for sale, and on any package or container in which the product is enclosed, in such manner that the name of the country of origin will not be hidden, obscured or obliterated.
>
> II. Placing any means or instrumentality in the hands of others whereby they may mislead the public, as to the manufacturer of any product which they sell, the manufacturer's age, experi-

[13] David and Muriel Singer, T/A Time Industries, were named along with Petitioners in the agency complaint. They did not participate in the appeal below, nor are they Petitioners here.

ence and reputation or the country of origin of the product.

It is Further Ordered that the complaint is dismissed as against resopndent, Lawrence Aronson, individually, but not as an officer of respondent, Waltham Watch Company. (Emp. supplied).[13a] [14]

Opinion below

In its Opinion[15] the Court below said:

> Although if we were fashioning the remedy, we might have done so in some respects differently from the Commission, yet, as the function is primarily that of the Commission, we will approve the order as the Commission prepared it.

The Facts

There never has been a "*Waltham Watch Company of Massachusetts*".[16]

The Petitioner, Waltham Watch Company, did not make any of the representations complained of by the Commission.[17]

All of the alleged violations involved practices of David and Muriel Singer, T A Time Industries, a licensee of the Waltham Watch Company.[18] Waltham

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[13a] Petitioners have not appealed this paragraph of the order.

[14] Separate Supplement to Petitioners Appendix, (Record below, filed herewith), pages 46 and 47.

[15] Appendix "C", last page, last paragraph.

[16] Initial Decision, Separate Supplement to Petitioners' Appendix (hereinafter referred to as SSA, whereas Petitioners' Appendix will be referred to as PA), pages 5 and 6

[17] Brief for Respondents' (hereinafter RB), pages 2-9.

[18] R. B. (recorded below) pp. 4-9.

was merely charged with placing the means or instrumentalities into the hands of the Singers for the deception alleged.[19]

The Waltham Watch Company moved to Chicago from *New York* in 1959, after the merger of that company with Hallmark, Inc. Since that time the Petitioner corporation has been doing business in Chicago.[20]

Prior to the merger and as a result of a corporate "spin-off", the Petitioner corporation, which was incorporated in Delaware, acquired the watch and clock business from the parent corporation, a Massachusetts corporation organized in 1923.[21] At the time of the "spin-off", the Massachusetts corporation changed its name to the Waltham Precision Instrument Company. There has not been a Waltham Watch Company in Massachusetts since 1957.[22]

The Waltham Watch Company was more than one hundred years old when the Commission issued its complaint in these proceedings.[23] It had progressed from a private enterprise located in Waltham, Massachusetts in 1849,[24] to the Massachusetts corporation of 1923,[25] through the "Spin-off" in 1957,[26] to the merger and removal of its operation to Chicago in 1959.[27]

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[19] R. B., p. 3.

[20] P. A. (record below) 94-95, 97-99; R. B. 4-5.

[21] P. A. 93-96.

[22] P. A. 51-56, 63-67, 93-94; R. B. 4-6 (record printed for Court below).

[23] 1849-1960. See P. A. 98, (Commission Exhibit 72).

[24] R. B. 4.

[25] P. A. 95.

[26] R. B. 4.

[27] R. B. 4-5.

The corporate petitioner here is the only company doing business under that name and owns exclusive right to the trade marks and trade name "WALTHAM".[28]

Waltham originally manufactured both watches and clocks in Waltham, Massachusetts, but even prior to the "spin-off" the parent company had become an importer.[29]

Competitors such as Elgin and Hamilton are also importers.[30]

The Petitioner corporation is the only Waltham Watch Company and is conducting, in Chicago, the same business commenced over a hunded years ago in Waltham, Massachusetts. In acquiring its right to do so, it even acquired the inventory of the Massachusetts corporation, consisting, in part, of imported Waltham movements.[31]

David Singer, T A Time Industries, acquired a license to use "WALTHAM" on imported clocks from prior management of the Petitioner corporation.[32] The license agreement became formal under present management.[33]

Nine months after execution of the license agreement, the agency complaint issued.[34] *Sixty-eight days later the license agreement was terminated by the Petitioners,*[35] and by November 16, 1961, Waltham had

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[28] P. A. 63-68, 93-98, R. B. 4-5.

[29] P. A. 51-53, 61-62, 98.

[30] P. A. 60-61.

[31] P. A. 51-52; 169-177, R. B. 4-5.

[32] R. B. 6.

[33] R. B. 6, P. A. 84-89.

[34] P. A. 2-14 (June 24, 1960); P. A. 84-89 (September 1, 1959).

[35] P. A. 72, 179; P. B. 31.

secured a restraining order against the licensee's use of the name.[36]

The clocks involved in this case were imported by Time Industries, not Waltham.[37] The marketing and advertising practices complained of were also the licensee's; not those of the Petitioner corporation.[38]

All of the clocks in evidence were marked "West Germany" on the dials, and Commission witnesses testified that they were told the clocks were imported.[39]

Time Industries did not sell clocks to consumers, the representations of salesmen were made to distributors who, in turn, placed the clocks marked "Waltham"[40] in retail outlets for sale to consumers.

Time only advertised in periodicals of limited circulation and under "Business Opportunity" in classified sections of newspapers.[41]

REASONS RELIED ON FOR GRANTING WRIT

The decision of the Court below is novel. Waltham, a fine old American trade name has become an importer. The excisions of that trade name required by the Commission's Order and affirmed by the Court below would restore to the trade name its primarily geographic meaning which it had lost by 1899. The Court below has decided an important question in a manner that has grave and serious implications of vast economic consequence to traditionally American enterprises. The Court has sanctioned a radical departure from accepted trade mark law. It has sanctioned one

[36] P. B. Addendum, pages 37-39.

[37] R. B. 6.

[38] R. B. 6-9.

[39] P. A. 23, 41, 42, 44, 47; R. B. 8.

[40] R. B. 6-9, P. A. 84, 143, 144, 147.

[41] P. S. A. 6-8, P. A. 33, 35, 38, 39, 40-45, 47, 74, 143, 145, 147, 151.

agency's usurpation of power granted by Congress to another. It has ratified an unprecedented invasion of property rights by sanctioning controls not contemplated in law and of far reaching economic significance. There is no precedent for an agency's watering down of a valid trade name or trade mark, and the order, in so doing, contravenes public policy and the decisions of this Court safeguarding the rights of property inherent in trade names and trade marks

ARGUMENT

"Waltham" Does Not Mean Made In U. S. A.

A geographic trade name, having acquired secondary meaning which identified the former merely geographic name with the product of the owner of that name, becomes the property of that owner. Its original geographic meaning cannot be restored by action of the Federal Trade Commission in a Section Five proceeding. A well known trade name, being identified with the products of its owner and not with the place of manufacture, cannot acquire a meaning which identifies it only with American made products, and its use on goods imported in whole or in part is not per se deceptive merely because its owners had elected to use it on domestic goods for a long period of time.[42]

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[42] *American Waltham Co.* v. *U. S. Watch Co.*, 173 Mass. 85; 53 N. E. 141 (1899).

Royuk Cigars v. *Schwartz*, 1 F. Supp. 286 (1932).

International Cheese Co. v. *Phoenix Cheese Co.*, 103 N. Y. S. 362 (1907).

"Timing A Century" (Harvard University Press).

Trade Mark Reporter, Vol. 50, page 244 (U. S. Trade Mark Association, New York City).

Derenberg, Walter, *"Trade Mark Protection and Unfair Trading"* at page 341 (Matthew Bender, Albany, New York, 1936).

Callman, Rudolph, *"Unfair Competition and Trade-Marks"*; (Callaghan, 1950) 2nd Ed. Vol. 3, at pages 1120, 1121, 1224-1225, 1248-1251.

Once it becomes a property by the acquisition of secondary meaning, its owners, even though they may not be the same as the original acquisitors, may freely transfer the business from the geographic site that originally provided the basis for the trade name, and continue to use that name to identify their products.[43]

The use of advertising slogans is not deceptive per se. Deception must be proved, their truth is a defense. An order imposing a negative limitation or disclaimer on the use of a trade name is arbitrary and capricious when based solely upon the use of truthful slogans and the name itself.[44]

The Federal Trade Commission abuses its delegated power and acts arbitrarily and capriciously when it enters a cease and desist order against parties that have not been associated with the practices complained of.[45]

"Waltham" is a valuable property right now owned by the Waltham Watch Company of Delaware. It

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[43] *Baglin* v. *Cusenier Co.*, 221 U. S. 580, 31 S. Ct. 669; 55 L. Ed. 863 (1910).

F. T. C. v. *Walker's New River Mining Co.*, 79 F. 2d 457 (C. C. A. 4, 1935).

Siegert v. *Gandolfi*, 149 F. 100 (C. C. A. 2, 1906).

Nims, Harry D. "*Unfair Competition and Trademarks*", (Baker-Voorhies & Co., Inc., New York) 4th Ed., 1947, Vol. 1, page 318.

[44] *Ex Parte, Fils de R. Picard et Cie.*, 9 U. S. P. Q. 208 (Comm. of Patents, 1931).

El Moro Cigar Co. v. *F. T. C.*, 107 F. 2d 429 (C. C. A. 4, 1939).

Gebbie v. *Stitt*, 82 Hun. (N. Y.) 93; 31 N. Y. Supp. 102.

"*Timing A Century*" (Harvard University Press).

[45] *Carter Products, Inc.* v. *F. T. C.*, 186 F. 2d 821 (C. C. A. 7, 1951).

Jacob Siegel Co. v. *F. T. C.*, 327 U. S. 608 at 612; 66 S. Ct. 758 90 L. Ed. 888.

had been licensed by the Waltham Watch Company of Massachusetts for limited use by Hallmark, Inc., of Illinois, the property vested in the Delaware corporation with the merger of Hallmark, Inc., into Waltham, which was formed as the result of the "spin off" from the parent (Massachusetts) corporation.

After the spin off the Massachusetts corporation changed its name to the Waltham Precision Instrument Company, Inc., which has been engaged in the precision instrument business (other than watches) in Waltham, Massachusetts. The Waltham Watch Company has been engaged in the manufacture, importation, distribution and sales of watches since the spin off and since the merger with Hallmark, Inc., its plant and principal place of business has been located in Chicago.

The reasoning underlying the proscriptions of the Order is fallacious unless a novel, unprecedented concept of trade marks and trade names will here be judicially sanctioned. The proposition that a trade name can acquire a meaning which identified the products upon which it is used with American manufacture is absolutely without precedent in the law of trade marks and trade names. Even the maze of conflicting decisions which constitutes the Commission's contribution to the law of unfair competition does not reveal a single precedent for the Commission's novel theory.[46]

Secondary Meaning

"Waltham" had acquired a secondary meaning which had been judicially recognized by 1899.[47]

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[46] These unrelated cases are set forth in the Court's Opinion, Appendix "C".

[47] *American Waltham Co.* v. *U. S. Watch Co.*, 173 Mass. 85, 53 N. E. 141 (1899).

By that time it had acquired common acceptation by long and continuous use and had lost its primarily geographic significance.

In other words, though it originally had meant "watches made in Waltham, Massachusetts", by 1899 the Court had come to recognize the legal fact that it had lost that geographic significance and come to mean watches manufactured by the owner of the trade name. Had it not acquired this secondary meaning, it could not have become a trade name.

Now the Commission, by its Order, would restore the geographic significance which Waltham had lost by 1899. In fact, it would not only restore that geographic meaning, but broaden it from mere identification of a town in Massachusetts to mean "made in the United States." There is no precedent to support such a restoration nor do the cases relied upon provide any authority for the proposition urged by the Commission.[48]

It is a well known fact that many large American companies have become importers. It should also be noted that the Massachusetts corporation now known as Waltham Precision Instrument Company became an importer long before the license to Singer, or the spin off of the watch business to the Delaware Petitioner. Waltham, like all competitors, marks the country of origin under the numeral "6" on the face or dial of the imported watches in conformity with the requirements of the Tariff Commission.

Obviously, the Commission's order singles out Waltham in a highly competitive industry and would un-

[48] *Edw. P. Paul & Co., Inc.* v. *Federal Trade Commission*, 169 F. 2d 294 (C. A. D. C., 1948). See also other cases cited in footnote 43.

fairly and inequitably require it to "water down" its trade name, while competitors whose acts and practices are identical will continue to use their equally well established trade names without qualification or limitation.

The value of a trade name or trade mark is vested in the right to use it for advertising and marketing. The Commission, having a mandate from the Congress to maintain fair competition, is here fostering unfair competition. Waltham should be permitted to fairly compete in the industry.

The Waltham Watch Company was incorporated in Massachusetts in 1923 as the corporate successor to the private enterprise started by Aaron Dennison in 1849.[49]

The Waltham case decided in 1899 is res judicata on the issue of secondary meaning. Truly, it is a landmark case in the law of secondary meaning and discussed by every authority who has written in the field of trade names and trade marks.[50]

Geographical names having attained a controlling secondary meaning have been held valid regardless of the domicile of the producer. It is common knowledge, for instance, that a consumer buying "Paris" garters,[51] "Philadelphia Cheese",[52] etc. does not believe or understand that the products they are buying emanate from the geographical place captured in the trade name.

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[49] "*Timing A Century*" (Harvard University Press)

[50] See footnotes 42 and 43 supra.

[51] *A Stein & Co.* v. *Liberty Garter Co.*, 198 F. 959 (D. C. S. D. N. Y. 1912).

[52] *International Cheese Co.* v. *Phoenix Cheese Co.*, 103 N. Y. S. 362 (1907).

The Commission has never challenged the validity of the present ("spin off") company's title to the trade name and trade marks "Waltham". However, by virtue of its order, it does challenge the right to use those properties in Chicago in the same manner they could have been used, had economic or other considerations advised management to remain in Waltham, and import as the Massachusetts corporation had prior to the license to Singer.

Petitioners respectfully submit that the Commission in so doing completely ignores the wealth of law controlling this issue.

The prominent trade mark authority, Harry D. Nims, has treated this subject at some length.[53]

> The right to protection of a geographical name used to indicate source, is not lost because the one using it moves his plant to a place which does not bear the name which has thus been used as a trade name. This is not a reason why he may not continue to claim protection in the use of the name of the place where formerly he was located, if prior to the time of his removal he has acquired a secondary meaning as used by him. (*Baglin* v. *Cusenier*, 221 U.S. 580, 31 Supreme Court 669 (1910).)

In *Siegert* V. *Gandolfi*, it is stated:[54]

> If the geographical name has become a secondary designation indicative of the product of the particular manufacturer, it is as much entitled to protection as any arbitrary or fancy name which he might have selected; and the circumstances that

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[53] Nims, Harry D., "*Unfair Competition and Trade Marks*", (Baker-Voorhis & Co., Inc., N. Y.) (4th Ed. 1947) Vol. 1, page 318.

[54] *Siegert* v. *Gandolfi*, 149 F. 100 (C. C. A. 2, 1906).

> the manufacturer might have removed his place of business and is making his product in some other place is of no more consequence than it would be if he had adopted the fancy name.

There, complainants were the successors of the original manufacturer of "Siegert's Angostura Bitters", with which the name "Angostura" had long been identified. This was the name of a city in Venezuela where the bitters were first made, though the factory had long since been transferred to Trinidad. Defendants made bitters of a similar kind at Baltimore, and sold them as "Angostura" Bitters imitating at the same time complainant's bottles and labels, but correctly stating in the labels and circulars their own name and the place of manufacture. However, the word "Angostura" had acquired a secondary meaning and was not open to the use of defendants and these rights were not lost by the removal.

The Representations were made in violation of the license agreement, which Waltham expeditiously terminated.

The Petitioners "inherited" the Agreement under which David Singer t/a Time Industries was licensed to use the trade name and trade marks "Waltham" on *clocks*.[55]

Shortly after Aronson interests purchased control of Waltham from the Axler interests, a formal license agreement with Singer, t/a Time Industries was executed.[56]

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[55] The original license was granted under prior (Axler) management. See P. A. page 82, CX 27, Rec. page 364.

[56] P. A. pages 84-89, CX 33, this agreement is dated September 1, 1959.

Nine months after the execution of the license agreement, the complaint in the proceedings below was issued,[57] putting Petitioners on notice of the representation being made by Time Industries and its agents for the first time. *Sixty-eight* days later Petitioners terminated the agreement.[58] The termination was later confirmed by letter.[59] Thereafter, suit was filed in New York, and by November 16, 1961, Waltham had secured an Order from the Court restraining Singer from using the Waltham trade name and trade marks.[60]

The law requires that a licensor of a trade name or trade mark must exercise control over the use of the name or mark. The kind of control exercised by the licensor differs with the kind of mark.[61]

> Where the trade mark owner grants a nonexclusive license and the licensee agrees to use the mark only in connection with articles that are of the quality and standard fixed or approved by the licensor, and the licensor has the right to inspect the licensee's merchandise, the license is valid. If however, the licensee violates the agreement and the licensor knowing thereof, voices no objection, an abandonment of licensor's right may be assumed.[62]

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[57] P. A., pages 2-14, *Complaint*, June 24, 1960, Rec. pages 2-13.

[58] P. A., page 72, gave the date of termination as August 1, 1960, on P. A. pages 66-67. We have used the later of the two dates.

[59] P. A. page 179, RX 61.

[60] Addendum, Petitioners' Brief, pages 37-39.

[61] Callman, Rudolph, *Unfair Competition and Trade Marks*, 2nd Ed. 1950 (Callaghan & Co.), Vol. 3, page 1300.

[62] Ibid., Vol. 3, page 1300. See also *E. I. DuPont de Nemours v. Celanese Corp. of America*, 167 F. 2d 484 (C. C. P. A. 1948).

Petitioners submit that they had a right to license the use of their trade name and trade mark "Waltham" to Singer t/a Time Industries for use on clocks and that they did all that could reasonable be expected of them to terminate the license when Singer failed to permit the control set forth in the license agreement.[63]

Congress Delegated Power To Supervise Use Of Trade Marks To The Patent Office; Not To The Federal Trade Commission.

Section Five of the Federal Trade Commission Act was enacted into law in 1914. In 1946, the Congress passed the Lanham Trade Mark Act.[64] In the latter it provided the basis for cancellation and supervision of trade marks, specifically providing that the *Federal Trade Commission may act only as a media of complaint to the Commissioner of Patents.*[65]

Had Congress intended that the Federal Trade Commission should exercise supervisory jurisdiction over trade marks, the later statute would not have been needed. However, from the fact of its enactment, it must be inferred that Congress intended that the Federal Trade Commission should not exercise such control and acquire that jurisdiction in a Section Five proceedings.

That the Trade name "Waltham" is a registered trade mark cannot be disputed.[66]

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[63] P. A. page 153, RX 43, Rec. page 556.

[64] See Appendix "E", "F" and "G".

[65] See *Provided*, Appendix "G".

[66] See Addendum, Petitioners' Brief (record below) pages 41-44; See also Commission's Exhibit 72; P. A. 64, 93, 155, 170.

This case is distinguished from a leading case decided by this Court[67] in which a second user attempted to "palm off" his products as those of another producer.

This Court has never decided a case where, as here, the Federal Trade Commission has excised the use of a valid trade mark and trade name by the lawful owner thereof.

Title 15, Section 1115 (U.S.C.A.) gives to the owner of a trade mark the presumptions of ownership and the validity of the mark.[68]

Mere assignment of a mark cannot form the basis of a cancellation proceedings under Title 15 U.S.C.A. 1064.[69]

This court has never decided a case in which the Federal Trade Commission has excised the use of a trade mark by its rightful owner on the basis of deception. It has considered several cases where that agency has entered cease and desist orders against companies trading off their products as those of another or as being of a quality denoted by the trade name.[70] But the instant case does not fall into either of these categories.

This Court should entertain this Petition and decide the novel questions presented by the Commission's assumption of jurisdiction in this new field in deroga-

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[67] *Manhattan Medicine Co.* v. *Wood*, 108 U. S. 218; 27 L. Ed. 706.

[68] *Rosengart* v. *Ostrex Co.* (1943) 136 F. 2d 249.

[69] *Penetrone Corp.* v. *Plough, Inc.* (1942) 128 F. 2d 591.

[70] *Holzapfel's Compositions Co.* v. *Rahtjens American Composition Co.*, 183 U. S. 11; 22 S. Ct. 6; 46 L. Ed. 49.

Coca Cola Co. v. *Koke Co.*, 254 U. S. 143, 41 S. Ct. 113, 65 L. Ed. 189.

Jacobs v. *Beecham*, 221 U. S. 263; 31 S. Ct. 555, 55 L. Ed. 729.

tion of the specific jurisdiction granted by Congress to the Commissioner of Patents in the field of trade mark supervision and cancellation.

The question to be decided is whether the Federal Trade Commission can order the qualification, "watering down" or excision of a trade name when it is used by its lawful, registered owner, by requiring unprecedented disclosures that the labeled goods are no longer domestically manufactured and that the plant has been re-located to another geographic site.

> The law of trade-marks is one cornerstone of the law of unfair competition; considerations arising out of the competitive relationship, therefore, should prevail over any claimed public right. Such a right cannot be invoked as a shield for the furtherance of unfair competition.[71]

CONCLUSION

Wherefore, the premises considered, the Petitioners pray that this Petition be granted.

Respectfully submitted,

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Of Counsel:

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[71] Callman, Rudolph, "Unfair Competition and Trade Marks" (Callaghan, Chicago), 2nd Ed., Vol. 3, page 1671, Section 85.1(b). See also: *Singer Mfg. Co.* v. *June Mfg. Co.*, 163 U. S. 169; 41 L. Ed. 118; 16 S. Ct. 1002 (1896); *McLean* v. *Fleming*, 96 U. S. 245; 24 L. Ed. 828 (1877).

CERTIFICATE OF SERVICE

I hereby certify that three copies of the foregoing Petition for a Writ of Certiorari were mailed, postage prepaid, this 26th day of September, 1963, to The Honorable Archibald Cox, Solicitor General of the United States, Department of Justice, Washington 25, D. C., and that two copies were mailed in a like manner on the same day to Joseph Shea, Esquire, Secretary, Federal Trade Commission, Washington 25, D. C.

B. PAUL NOBLE
Attorney for Petitioners

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 13,858

WALTHAM WATCH COMPANY, a corporation; HARRY ARONSON, individually, and as an officer of said corporation, and LAWRENCE ARONSON, as an officer of said corporation, *Petitioners*,

v.

FEDERAL TRADE COMMISSION, *Respondent*.

Final Decree Affirming and Enforcing Order to Cease and Desist

Waltham Watch Company, a corporation, Harry Aronson, individually and as an officer of said corporation, and Lawrence Aronson, as an officer of said corporation petitioners herein; filed in this Court on August 16, 1962, a petition to review and set aside an order to cease and desist issued against them on June 15, 1962, by the Federal Trade Commission, respondent herein, in a proceeding before it entitled "In the Matter of Waltham Watch Company, a corporation, et al., Docket 7997;" and a copy of said petition having been served upon respondent; and the respondent having thereafter certified and filed in this Court a transcript of the entire record in said proceeding; and the matter having been heard by this Court on briefs and oral argument on May 22, 1963, and this Court having rendered its decision on June 3, 1963;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the prayer of the aforesaid petition to set aside the order of the Federal Trade Commission as to the petitioners herein be, and it hereby is, denied;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the order to cease and desist of the Federal Trade Commission be, and it hereby is, affirmed, and that petitioners be, and they hereby are, commanded forthwith to obey said order and to comply therewith.

By the Court.

/s/ F. RYAN DUFFY
United States Circuit Judge

/s/ ROGER J. KILEY
United States Circuit Judge

/s/ CASPER PLATT
United States District Judge Sitting on the United States Court of Appeals for the Seventh Circuit

Entered: June 28, 1963

A True Copy:
Teste:

KENNETH J. CARRICLE
Clerk of the United States Court of Appeals for the Seventh Circuit.

APPENDIX B

BEFORE FEDERAL TRADE COMMISSION

* * (Caption-7997) * *

Commissioners:

Paul Rand Dixon, Chairman
Sigurd Anderson
William C. Kern
Philip Elman
Evertte MacIntyre

Decision of the Commission and Order to File Report of Compliance

This matter having been heard by the Commission upon the exceptions to the initial decision filed by respondents, Waltham Watch Company, Harry Aronson and Lawrence Aronson, and upon briefs and oral argument in support thereof and in opposition thereto; and

The Commission having determined that the hearing examiner's findings and conclusions are fully substantiated on the record and that the order contained in the initial decision is appropriate in all respect to dispose of this matter:

It is ordered that Respondents' exceptions to the initial decision be, and they hereby are, denied.

It Is Further ordered that the respondents, Waltham Watch Company, a corporation, Lawrence Aronson, as an officer of said corporation, Harry Aronson, individually and as an officer of said corporation, and David Singer and Muriel Singer, individually, shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist.

JOHN W. SHEA,
Secretary

Issued: June 15, 1962

APPENDIX C

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 13858

SEPTEMBER TERM 1962—APRIL SESSION 1963

WALTHAM WATCH COMPANY, et al., *Petitioners*,

v.

FEDERAL TRADE COMMISSION, *Respondent*.

On Petition for Review of a Decision of the Commission and Order to Cease and Desist

June 5, 1963

Before DUFFY and KILEY, *Circuit Judges*, and PLATT, *District Judge*.

DUFFY, *Circuit Judge*. This is a petition for the review of an order issued by the Federal Trade Commission after an administrative proceeding on a complaint which charged petitioners with unfair and deceptive acts and practices and unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act.

The complaint charged David Singer, trading as Time Industries, and Muriel Singer, his wife, individually, with false and deceptive advertising relative to the distribution of clocks which were imported from West Germany and carried the name "Waltham" on the face or dial of the clock.

The Waltham Watch Company, Harry Aronson and Lawrence Aronson, individually, and as officers of the corporation, were charged with placing the means, and instrumentalities in the hands of David Singer and Muriel Singer whereby distributors and the public may be misled as to the origin and manufacture of the "Waltham" clocks.

After a hearing, the Examiner found the allegations of the complaint were fully sustained by the evidence. The order prohibits the Singers, Waltham Watch Company, Harry Aronson, individually and as an officer of the Company, and Lawrence Aronson as an officer of the Company, from engaging in the practices challenged in the complaint.

Upon petition for review filed by Waltham Watch Company, Harry and Lawrence Aronson as officers of the Company, and Harry Aronson, individually, the Commission affirmed in every respect the Examiner's initial decision and order and adopted them as its own.

The well-known Waltham Watch Company was located at Waltham, Massachusetts. It was founded in 1849 and became a widely known manufacturer of watches and clocks. Some time prior to July 1957, Waltham Watch Company ceased the manufacture of watches. It had discontinued the manufacture of clocks somes years previously.

In July 1957, the Waltham Watch Company of Delaware was organized as the result of a "spin-off" of the original Waltham Watch Company. The location of the new Waltham Watch Company is Chicago, Illinois. The name of the old Company was changed to Waltham Precision Instrument Company. The newly organized Delaware corporation which is the petitioner herein, acquired from the old Massachusetts corporation, trademarks, good will and the trade name "Waltham." No inventory of watches was included because the latter had been transferred to Hallmark, Inc. under a 1956 license agreement between Hallmark and the original Massachusetts corporation. There was no inventory as to clocks because the old Massachusetts corporation had ceased manufacturing clocks a number of years previously. At no time since its organization in 1957 did the new Waltham Watch Company manufacture any watches or clocks. Whatever watches or clocks were sold by the new company were imported from European countries.

In 1959, the Waltham Watch Company, a Delaware corporation, was merged with Hallmark. Petitioner Harry Aronson was then president, and petitioner Lawrence Aronson was treasurer of Hallmark. Upon completion of the merger, Harry Aronson was elected president and Lawrence Aronson, vice president of the Delaware corporation, which thereafter continued to conduct its business under the name of "Waltham Watch Company."

In March 1958, about one year prior to the merger with Hallmark, Waltham Watch Company, the Delaware corporation, entered an agreement with David Singer trading as Time Industries. The latter was licensed to use the name "Waltham" in connection with the distribution and sale of clocks. The agreement provided that all advertising and promotional material must receive the prior written approval of Waltham Watch Company before being released for publication.

The clocks sold by Time Industries under the agreement, were imported by Waltham Clock Company from Germany. When Waltham and Hallmark merged, the agreement with Time Industries was continued by letter dated February 26, 1959. This letter was signed for Waltham by Harry Aronson, president. However, the working agreement was changed to the extent that Time Industries imported the clocks instead of Waltham.

On September 1, 1959, Singer, trading as Time Industries, entered into a formal licensing agreement with Waltham by which Singer was authorized to import clocks bearing the name "Waltham." A royalty of fifty cents per clock was to be paid to Waltham. A minimum annual royalty of $50,000 was, by the agreement, payable from Singer to Waltham.

Time Industries advertised in national magazines, periodicals and newspapers, and offered members of the public an opportunity to become franchised distributors

of Waltham clocks. We set forth extracts from typical advertisements circulated by Time Industries:

"FAMOUS 109-YEAR FIRM
ANNOUNCES NEW EXPANSION FRANCHISE PLAN

World Renowned
WALTHAM CLOCKS

Millions buy this great brand

You know WALTHAM is one of the four great names in watch making. Your grandfather did, too. WALTHAM, a great American name, backed by old world craftsmanship, for the design and styling of its clocks. . . ."

"When you become the WALTHAM Franchise Man in your town you've got a world famous name working for you, day and night, seven days a week."

"WALTHAM WATCH COMPANY

invites you to participate in one of the most gigantic expansion programs ever launched. . . ."

"WALTHAM CLOCKS

Product of WALTHAM WATCH COMPANY since 1850. For the first time in the history of direct selling a famous 150-year-old company with established national brand products offers you this opportunity."

The advertisements above quoted, and others of a like nature, were knowingly false and misleading. The "famous 109-year firm" and the "famous 150-year-old company" referred to the original Waltham Watch Company which had been located at Waltham, Massachusetts, but that company had nothing to do with the proposed sale of Waltham clocks. The advertisements were cunningly devised to deceive. The testimony shows that many persons who

paid money to the Singers for the privilege of selling "Waltham" clocks, were deceived by the advertisements and by the statement of Waltham representatives who called upon them. Many of these representatives displayed business cards to the prospective distributors. The words in largest print on these cards were "Waltham Watch Company." In slightly smaller print were the words "Manufacturers since 1850."

The final order of the Federal Trade Commission which adopted the Examiner's order insofar as its affects the petitioners herein, ordered the petitioners to cease and desist from using or authorizing any person to use the name of "Waltham" in connection with the sale of clocks or other products unless the public is clearly warned by a statement immediately in connection therewith that the product is not manufactured by the Waltham Watch Company of Waltham, Massachusetts.

The order further provided that if the product is of foreign origin, the country of origin be clearly and conspicuously disclosed on the product and on the advertising used in offering it for sale.

The order also required petitioners to cease and desist from "Placing any means or instrumentality in the hands of others whereby they may mislead the public, as to the manufacturer or any product which they sell, the manufacturer's age, experience and reputation or the country of origin of the product."

Petitioners argue that they should not be penalized and restricted because the licensing agreement with Singer contained a provision that all advertising and promotional material used by Singer was first to be presented and approved by Waltham before being used. But the record clearly indicates that officers of Waltham did receive and know about many complaints of misrepresentation. Mrs. Singer testified that proposed advertising was mailed to Waltham at various times. She testified, "If we didn't re-

ceive word back, we just went ahead with the advertising; we took it for granted that it was all right."

Certain it is, petitioners could not sit back and ignore the complaints pertaining to the acts of their licensee. Petitioners had placed in the hands of others the means and instrumentalities whereby many people had been hoodwinked, defrauded and misled. They must accept the responsibility for so doing.

Petitioners argue that they expeditiously cancelled the license with Singer. However, we do not regard a cancellation made more than two months after the complaint herein was filed, as acting in an expeditious manner. Plaintiffs knew of the complaints many months earlier but did nothing to stop the false representations until they figuratively felt the Federal Trade Commission breathing down their necks. Also, by the time of cancellation, Singer had fallen in arrears on his royalty payments.

The pertinent principles of law are clear. The owner of a trademark or tradename may not use, nor permit the use of, such trademark or tradename in a manner designed to deceive the public. *Federal Trade Commission* v. *Winsted Hosiery Company*, 258 U. S. 483, 494; *Edward P. Paul & Company, Inc.* v. *Federal Trade Commission*, DC Cir., 169 F. 2d 294, 295-6. Those who put into the hands of others the means by which they may mislead the public, are themselves guilty of a violation of Section 5 of the Federal Trade Commission Act. *R. B. James and Patrick Zusla, Individuals and Co-partners, Trading as Chicago Board Company* v. *Federal Trade Commission*, 7 Cir., 253 F. 2d 78-80; *International Art Company* v. *Federal Trade Commission, et al.*, 7 Cir., 109 F. 2d 393, 396.

There may be some basis for an argument that the form and scope of the order should be changed. However, we should keep in mind the well-established general principle that the Commission may require affirmative disclosure for the purpose of preventing future deception, and the Com-

mission may fashion orders broad enough to close all roads to the prohibited goal. *Federal Trade Commission* v. *Ruberoid Co.*, 343 U. S. 470, 473; *L. Heller & Sons, Inc., et al,* v. *Federal Trade Commission*, 7 Cir., 191 F. 2d 954, 956.

In *Federal Trade Commission* v. *Ruberoid Co., supra*, the main attack was on the breadth of the order. The Supreme Court stated, 343 U. S. at page 473: "In carrying out this function the Commission is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past. If the Commission is to attain the objectives Congress envisioned, it cannot be required to confine its road block to the narrow lane the transgressor has traveled; it must be allowed effectively to close all roads to the prohibited goal, so that its order may not be by-passed with impunity. Moreover, '[t]he Commission has wide discretion in its choice of a remedy deemed adequate to cope with the unlawful practices' disclosed . . . Congress placed the primary responsibility for fashioning such orders upon the Commission, and Congress expected the Commission to exercise a special competence in formulating remedies to deal with problems in the general sphere of competitive practices. Therefore we have said that 'the courts will not interfere except where the remedy selected has no reasonable relation to the unlawful practices found to exist.'"

Although if we were fashioning the remedy, we might have done so in some respects differently from that of the Commission, yet, as the function is primarily that of the Commission, we will approve the order as the Commission prepared it.

AFFIRMED.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.

APPENDIX D

[COPIES MAILED]

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1963

No. .....

WALTHAM WATCH COMPANY, ET AL., *Petitioners*,

v.

FEDERAL TRADE COMMISSION

Order Extending Time to File Petition for Writ of Certiorari

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including Sept. 23, 1963.

/s/ TOM C. CLARK
Associate Justice of the Supreme Court of the United States.

Dated this 3rd day of Sept. 1963.

APPENDIX E

15 U. S. C. A. 45(a)

Unfair methods of competition unlawful; prevention by Commission—Declaration of unlawfulness; power to prohibit unfair practices.

(a) Unfair methods of competition in commerce, and unfair, or deceptive acts or practices in commerce, are declared unlawful.

The Commission is empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to chapter 9 of Title 49, and persons, partnerships, or corporations subject to sections 181-203, 205-228 and 229 of Title 7, except as provided in section 227 of Title 7, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

APPENDIX F

15 U. S. C. A. 45 (b)

PROCEEDING BY COMMISSION; MODIFYING AND SETTING ASIDE ORDERS

(b) Whenever the Commission shall have reason to believe that any such person, partnership or corporation has been or is using any unfair method of competition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The person, partnership, or corporation so complained of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring such person, partnership or corporation to cease and desist from the violation of the law so charged in said complaint. Any person, partnership or corporation may make application, and upon good cause shown may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Commission. If upon such hearing the Commission shall be of the opinion that the method of competition or the act or practice in question is prohibited by sections 41-46 and 47-58 of this title, it shall make a report in writing in which it shall state its findings as to the facts and shall issue and cause to be served on such person, partnership or corporation an order requiring such person, partnership or corporation to cease and desist from using such method of competition or such act or practice. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or if a petition for review has

been filed within such time then until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such a manner as it shall deem proper, modify or set aside in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or law have so changed as to require such action or if the public interest shall so require: *Provided, however*, that the said person, partnership or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate court of appeals of the United States, in the manner provided in subsection (c) of this section.

APPENDIX G

15 U. S. C. A. 1064

CANCELLATION OF REGISTRATION

A verified petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905—

> (c) at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b) or (c) of section 1052 of this title for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used; or . . .
>
> (e) at any time in the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refused to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies;

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required. July 5, 1946, c. 540, Title I, § 14, 60 Stat. 433; Oct. 9, 1962, Pub. L. 87-772, § 9, 76 Stat. 771.

APPENDIX H

15 U. S. C. A. 1115

SAME; REGISTRATION ON PRINCIPAL REGISTER AS EVIDENCE OF EXCLUSIVE RIGHT TO USE MARK; DEFENSES

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however*, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however*, that this defense or defect shall apply only for the area in which the mark was used prior to such registration of such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the anti-trust laws of the United States. July 5, 1946, c. 540, Title VI, § 33, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 18, 76 Stat. 774.

APPENDIX I

SUPREME COURT OF THE UNITED STATES

No. ....., OCTOBER TERM, 1963

WALTHAM WATCH COMPANY, ET AL., *Petitioners*,

vs.

FEDERAL TRADE COMMISSION

Order Extending Time to File Petition for Writ of Certiorari

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing petition for writ of certiorari in the above-entitled cause be, and the same is hereby, further extended to and including September 26, 1963.

/S/ WILLIAM J. BRENNAN, JR.
Associate Justice of the Supreme Court of the United States.

Dated this 20th day of September, 1963.

In the Supreme Court of the United States

OCTOBER TERM, 1963

No. 495

WALTHAM WATCH CO., ET AL., PETITIONERS

v.

FEDERAL TRADE COMMISSION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

MEMORANDUM FOR THE FEDERAL TRADE COMMISSION IN OPPOSITION

This proceeding was brought to prevent misrepresentation, in connection with the use of the widely-known trade name "Waltham" in the advertisement and sale of West German-made clocks, in violation of Section 5 of the Federal Trade Commission Act (App. 2-12).[1]

---

[1] Section 5 of the Federal Trade Commission Act, 38 Stat. 719, as amended, 15 U.S.C. 45, provides in pertinent part:

(a)(1) Unfair methods of competition in commerce,

The Waltham Watch Company, located at Waltham, Massachusetts, was founded in 1849, and became a widely known manufacturer of clocks and watches. By 1957 it had ceased the manufacturing of watches, and it had not been in the clock business at all for some time. As a result of a reorganization in 1957 the company transferred to a newly organized Delaware corporation its trademarks, good will and "Waltham" name relating to watches and clocks. The name of the old Massachusetts corporation was changed to Waltham Precision Instrument Company and the Delaware company assumed the name of Waltham Watch Co., its stock being issued to the then existing stockholders of the Massachusetts corporation (Pet. 5a-6a; App. 93-96).

In February 1959, the individual petitioners obtained control of the Delaware company. (App. 93-94, 190), which is the corporate petitioner here. The company did not make watches or clocks, but in March 1958, it had licensed one David Singer trading as Time Industries to use the name "Waltham" in connection with the distribution and sale of clocks. The clocks were all made in West Germany. Under

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and unfair or deceptive acts or practices in commerce, are declared unlawful.

* * * * *

(a) (6) The Commission is empowered and directed to prevent persons * * * from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

"App." referes to the "Appendix to Brief for Petitioners" in the court of appeals and "SS App." refers to the "Separate Supplement to Petitioners' Appendix" in that court.

the license agreement, Time paid a royalty and was required to obtain from the Delaware company prior written approval of all advertising and promotional material (Pet. 5a-6a). In September 1959 the arrangement with Time was changed to provide that the clocks which Time sold under the "Waltham" name were to be imported from Germany by Time itself, instead of by the Delaware company (Pet. 6a).

After an administrative hearing, the examiner found that Time's advertisements and other promotional material were "palpably false, misleading and deceptive" (SS App. 13), and that they had misled many persons into believing that the German-made clocks were the product of the "famous 109-year firm," the "Waltham Watch Company since 1850" (Pet. 7a-8a; SS App. 7-16, 37-38). The examiner further found that although petitioners were aware of these misrepresentations and although petitioners' written approval of Time's promotional material was required, petitioners failed to take any effective steps to stop Time's misleading practice until more than two months after issuance of the complaint (Pet. 8a-9a; SS App. 28-31). Petitioners did not cancel Time's license to use the "Waltham" name until after it had fallen in arrears on its royalty payments (SS App. 36).

On these facts, the examiner concluded that petitioners had placed in the hands of Time the means to deceive the public "as to the manufacturer, its age and reputation, and as to the country of origin of the clocks," and had thereby committed unfair acts and practices in violation of Section 5 of the Federal

Trade Commission Act (SS App. 42-43). Accordingly, he recommended a cease-and-desist order (SS App. 46-47).[2]

The Commission adopted the examiner's decision and upheld the order as appropriate in all respects

---

[2] The order was also directed against Time (SS App. 44-46), but this portion of the order was not appealed.

Insofar as it affects petitioners, the order provides in pertinent part as follows (SS App. 46-47):

> It Is Further Ordered that Waltham Watch Company, * * * and its officers * * * in connection with the use of the name "Waltham," in commerce, * * * do forthwith cease and desist from:
>
> I. Using or authorizing any person to use the name "Waltham" in connection with the sale of clocks or any other product unless it supervises said use and insures that the name is so utilized that:
>
> 1. The public is clearly warned by a statement immediately in connection therewith, that the product is not manufactured by the Waltham Watch Company, of Waltham, Massachusetts, and,
>
> 2. If the product is of foreign origin, the country of origin of the product is clearly and conspicuously disclosed on the product, on the advertising used in offering it for sale, and on any package or container in which the product is enclosed, in such manner that the name of the country of origin will not be hidden, obscured or obliterated.
>
> II. Placing any means or instrumentality in the hands of others whereby they may mislead the public, as to the manufacturer or any product which they sell, the manufacturer's age, experience and reputation or the country of origin of the product.
>
> * * * *

(Appendix, *infra*, pp. 9-10).[3] The court of appeals affirmed (Pet. 4a-10a).

1. Petitioners' principal contention (Pet. 9-16) appears to be that the Commission barred use of the "Waltham" name in connection with imported products and restricted the name to products made at Waltham, Massachusetts, or in the United States, and in so doing exceeded its authority. However, the properiety of such an order is not an issue here. Petitioners have misstated the Commission's order which merely requires them not to permit the use of the Waltham name in a way which, as the Commission found, gives the false impression that the products (in connection with which the "Waltham" name is used) were made by the old Waltham Watch Company of Waltham, Massachusetts, or that the old company is connected with the distribution of foreign-made clocks.[4] There is no question of the Commission's authority to issue such an

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[3] The reprint in the petition of the Commission's decision and order (Pet. 3a) has omitted a paragraph.

[4] Petitioners suggest (Pet. 15) that their representations should have been held proper on the ground that the "old" Waltham Company of Waltham, Massachusetts, would have had the right to publish such advertisements if it had undertaken the sale of imported clocks. However, this is not the law. As the hearing examiner stated, "if Waltham of Massachusetts had embarked in a program of misrepresentation, such as that here disclosed, the fact that it was the original owner of a well-recognized name would not permit it to utilize that name in a manner calculated to deceive the public. *Edward P. Paul & Co., Inc.* v. *F.T.C.*, 169 F. 2d 294 (D.C. Cir. 1948)" (SS App. 40).

order, which is sanctioned by the settled rule that since a trademark is not a license to engage in unfair competition, its use to deceive may be curbed. *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U.S. 483, 494; *Brougham* v. *Blanton Manufacturing Co.*, 249 U.S. 495, 499; *Irwin* v. *Federal Trade Commission*, 143 F. 2d 316, 325 (C.A. 8).

2. There is no merit to petitioners' argument (Pet. 13-14) that they should be permitted to continue their practices on the theory that otherwise they will be at a competitive disadvantage since "competitors whose acts and practices are identical will continue to use their equally well established trade names without qualification or limitation." In the first place, there is nothing in the record to show that petitioners' competitors are guilty of permitting their trade names to be used as petitioners did. Even if the record did show this, it would not justify petitioners' conduct, *Federal Trade Commission* v. *A. E. Staley Manufacturing Co.*, 324 U.S. 746, 753. Nor would the Commission be required to stay its order merely because petitioners would have been at a competitive disadvantage while their competitors were not under a similar restraint. *Moog Industries, Inc.* v. *Federal Trade Commission*, 355 U.S. 411.

3. Petitioners claim that they acted expeditiously in terminating Time's license to use the "Waltham" name (Pet. 16-18). The Commission found to the contrary (SS App. 28-31, 36) and the court below sustained this finding, declaring that petitioners "did nothing to stop the false representations until they figuratively felt the Federal Trade Commission breath-

ing down their necks" (Pet. 9a). Petitioners' claim thus goes to the substantiality of the evidence which plainly presents no question appropriate for review by this Court. *Federal Trade Commission* v. *Standard Oil Co.*, 355 U.S. 396, 401.

4. Petitioners' final claim (Pet. 18-20) is that Congress, by empowering the Commission under Section 14 of the Lanham Act, 60 Stat. 427, 433, as amended, 15 U.S.C. 1064, to apply for cancellation of a trademark under certain circumstances, terminated the Commission's power to deal with trademarks under Section 5 of the Federal Trade Commission Act. The Lanham Act itself refutes this contention. Section 46(a), 60 Stat. 445, provides that "nothing contained in this Act shall be construed as limiting, restricting, modifying, or repealing any statute in force on the effective date of this Act which does not relate to trade-marks, or as restricting or increasing the authority of any Federal department or regulatory agency except as may be specifically provided in this Act." See also, *Federal Trade Commission* v. *Elder Mfg. Co.*, 84 USPQ 429 (Com'r Pat.).

There is no conflict of decisions and no other reason for review by this Court. The petition for certiorari should be denied.

Respectfully submitted,

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Attorney,
Federal Trade Commission.

OCTOBER 1963

APPENDIX

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS:

Paul Rand Dixon, Chairman
Sigurd Anderson
William C. Kern
Philip Elman
Everette MacIntyre

Docket No. 7997

DECISION OF THE COMMISSION AND ORDER TO FILE REPORT OF COMPLIANCE

In the Matter of

WALTHAM WATCH COMPANY, a corporation, and HARRY ARONSON and LAWRENCE ARONSON, individually and as officers of said corporation, and DAVID SINGER, an individual trading as TIME INDUSTRIES, and MURIEL SINGER, individually.

This matter having been heard by the Commission upon the exceptions to the initial decision filed by respondents, Waltham Watch Company, Harry Aronson and Lawrence Aronson, and upon briefs and oral argument in support thereof and in opposition thereto; and

The Commission having determined that the hearing examiner's findings and conclusions are fully substantiated on the record and that the order contained in the initial decision is appropriate in all respects to dispose of this matter:

IT IS ORDERED that respondents' exceptions to the initial decision be, and they hereby are, denied.

IT IS FURTHER ORDERED that the hearing examiner's initial decision, filed November 14, 1961, as corrected by his orders filed December 11, 1961, and April 20, 1962, be, and it hereby is, adopted as the decision of the Commission.

IT IS FURTHER ORDERED that respondents, Waltham Watch Company, a corporation, Lawrence Aronson, as an officer of the said corporation, Harry Aronson, individually and as an officer of the said corporation, and David Singer and Muriel Singer, individually, shall, within sixty (60) days after service upon them of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist.

By the Commission.

/s/ Joseph W. Shea
JOSEPH W. SHEA,
Secretary.

SEAL

ISSUED: June 15, 1962

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JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 495.

In The Matter Of:

WALTHAM WATCH CO., A Corporation, HARRY ARONSON, Individually and as an Officer of said Corporation, and LAWRENCE ARONSON as an Officer of said Corporation, *Petitioners*,

v.

FEDERAL TRADE COMMISSION, *Respondent*.

PETITION FOR REHEARING

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January 3, 1964

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

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In The Matter Of:

WALTHAM WATCH CO., A Corporation, HARRY ARONSON, Individually and as an Officer of said Corporation, and LAWRENCE ARONSON as an Officer of said Corporation, *Petitioners,*

v.

FEDERAL TRADE COMMISSION, *Respondent.*

PETITION FOR REHEARING

Come now the Petitioners, by counsel, and pursuant to Rule 58 of the Rules of this Court, Petition For Re-Hearing Of The Order of this Court, entered the 9th day of December, 1963, denying Petition For A Writ Of Certiorari herein, and for reasons for their Petition, the following is submitted:

GROUNDS

Intervening Circumstances of Substantial or Controlling Effect

Since the filing of the Petition For A Writ Of Certiorari herein, an appeal pending in the United States Court of Appeals for the Seventh Circuit, i.e.,

Waltham Precision Instrument Company, Inc., et al v. *Federal Trade Commission*, Case No. 14022, was argued before that Court on the 9th day of December, 1963. That Court has not, as yet, entered its opinion in that case.

The corporate Respondent here, Waltham Watch Co., is also a Respondent in that case. Insofar as that corporation is concerned the order there under consideration would require this same Petitioner to cease and desist:

> 2. Using the name "Waltham" in advertising or in labeling to designate or describe watches manufactured or sold by them without expressly, clearly, conspicuously and prominently stating in immediate connection therewith the country of origin of each component of said watches which is not entirely manufactured in the United States.
>
> 3. Using, in advertising or labeling watches manufactured or sold by them, the terms, "America's first watch"; "the first American watch company", "American", or any similar word or expression to describe Respondents or such watches.

It is noted that the Order this Court considered in the Writ of Certiorari here provided that the same corporate Petitioner, Waltham Watch Co., cease and desist:

> I. Using or authorizing any person to use the name "Waltham" in connection with the sale of clocks or any other product unless it supervises said use and insures that the name is so utilized that:
>
> 1. The public is clearly warned by a statement immediately in connection therewith, that the product is not manufactured by the Waltham

Watch Company of Waltham, Massachusetts, and,

2. If the product is of foreign origin, the country of origin of the product is clearly and conspicuously disclosed on the product, on the advertising used in offering it for sale, and on any package or container in which the product is enclosed, in such manner that the name of the country of origin will not be hidden, obscured or obliterated.

H. Placing any means or instrumentality in the hands of others whereby they may mislead the public, as to the manufacture of any product which they sell, the manufacturer's age, experience and reputation or the country of origin of the product.

Although Petitioners here respect the judgment of this Court in the denial of their Application For A Writ Of Certiorari in full knowledge of the fact that the Order of the Federal Trade Commission impinging upon their property rights in the use of their trade mark establishes a novel and unprecedented invasion of commercial civil rights; nevertheless, it is here submitted that the disposition of the appeal involving one of the Petitioners here in the case pending before the Circuit Court of Appeals (Seventh Circuit) will necessarily serve to create additional novel issues that should be decided by this Court; irrespective of whether that case is affirmed or reversed.

It is manifest that reversal of the Order will place the Order in that case in conflict with the Order here and leave the Petitioners here in an untenable position by confronting them with conflicting decisions involving substantially the same type of Order.

Whereas, on the other hand, affirmance there will lead the Petitioners here into confusion as to conflicts involved in compliance with two separate and

distinct Orders relating to essentially the same subject matter involving distinct applications because of the language differences in the two orders.

This Court has decided in *Flynn* v. *United States*, 75 S. Ct. 285; 348 U.S. 909; 99 L. Ed. 998, that it will consider applications in the tenor and vein here submitted and in *Massey* v. *United States*, 291 U.S. 608; 54 S. Ct. 532, and *Sanitary Refrigerator Co.* v. *Winters*, 280 U. S. 30; 50 S. Ct. 9, that intervening circumstances of substantial or controlling effect will persuade this Court to grant a Petition For Re-Hearing. It is also clear that this Court was equally persuaded to favorably consider an application for re-hearing although substantial grounds available to Petitioner were not previously presented to the Court. *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 305 U.S. 47, 50; 59 S. Ct. 8, 9.

CONCLUSION

Wherefore, the premises considered, Petitioners pray for an Order granting this application for re-hearing for the reasons given above.

Respectfully submitted,

B. PAUL NOBLE
Attorney for Petitioners

Of Counsel:

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CERTIFICATE

I hereby certify that the foregoing Petition For Re-Hearing is presented in good faith and not for purposes of delay.

B. PAUL NOBLE
Attorney for Petitioners

CERTIFICATE OF SERVICE

I hereby certify that two copies of the foregoing Petition For Re-Hearing were mailed, this 3rd day of January, 1964, first class mail, postage prepaid, to Archibald Cox, Solicitor General of the United States, Washington 25, D. C., and one copy on that same date in a like manner to John McI. Henderson, Federal Trade Commission, Washington 25, D. C.

B. PAUL NOBLE

January 3, 1964